

EXHIBIT C

SECTION I CONDITIONS (cont.)

(2) submits a signed, sworn statement of loss within 60 days after receiving notice from us of your failure to do so; and

(3) has notified us of any change in ownership, occupancy or substantial change in risk known to the mortgage holder.

All terms of this policy will then apply directly to the mortgage holder.

d. If we pay the mortgage holder for any loss and deny payment to you because of your acts or because you have failed to comply with the terms of this policy:

(1) the mortgage holder's rights under the mortgage will be transferred to us to the extent of the amount we pay; and

(2) the mortgage holder's right to recover the full amount of the mortgage holder's claim will not be impaired.

At our option, we may pay to the mortgage holder the whole principal on the mortgage plus any accrued interest. In this event, your mortgage and note will be transferred to us and you will pay your remaining mortgage debt to us.

e. If we cancel this policy, we will give written notice to the mortgage holder at least:

(1) 10 days before the effective date of cancellation if we cancel for your nonpayment of premium; or

(2) 30 days before the effective date of cancellation if we cancel for any other reason.

f. If we do not renew this policy, we will give written notice to the mortgage holder at least 10 days before the expiration date of this policy.

12. **No Benefit to Bailee.** No person or organization, other than you, having custody of covered property will benefit from this insurance.

13. **Knowledge or Control.** We will not pay for loss while the chance of loss is increased by any means within your knowledge or control.

14. **Policy Period, Coverage Territory.** We cover loss commencing during the policy period and within or between the coverage territory. The coverage territory is the United States of America (including its territories and possessions), Puerto Rico and Canada.

SECTION II COMPREHENSIVE BUSINESS LIABILITY

COVERAGE L - BUSINESS LIABILITY

We will pay those sums that the insured becomes legally obligated to pay as damages because of **bodily injury, property damage, personal injury** or **advertising injury** to which this insurance applies. No other obligation or liability to pay sums or perform acts or services is covered unless explicitly provided for under Supplementary Payments. This insurance applies only:

1. to **bodily injury** or **property damage** caused by an **occurrence** which takes place in the **coverage territory** during the policy period;
2. to **personal injury** caused by an **occurrence** committed in the **coverage territory** during the policy period. The **occurrence** must arise out of the conduct of your business, excluding advertising, publishing, broadcasting or telecasting done by or for you;

3. to **advertising injury** caused by an **occurrence** committed in the **coverage territory** during the policy period. The **occurrence** must be committed in the course of advertising your goods, products or services.

RIGHT AND DUTY TO DEFEND

We will have the right and duty to defend any claim or **suit** seeking damages payable under this policy even though the allegations of the **suit** may be groundless, false or fraudulent. The amount we will pay for damages is limited as described in Limits of Insurance. Damages because of **bodily injury** include damages claimed by any person or organization for care, loss of services or death resulting at any time from the **bodily injury**. We may investigate and settle any claim or **suit** at our discretion. Our right and duty to defend end when we have used up the applicable limit of insurance in the payment of judgments or settlements or medical expenses.

**SECTION II
COMPREHENSIVE
BUSINESS LIABILITY (cont.)**

**SUPPLEMENTARY
PAYMENTS**

In addition to the Limit of Insurance, we will pay, with respect to any claims or **suit** we defend:

1. all expenses we incur;
2. up to \$250 for cost of bail bonds required because of accidents or traffic law violations arising out of the use of any vehicle to which Coverage L - Business Liability for **bodily injury** applies. We do not have to furnish these bonds;
3. the cost of bonds to release attachments but only for the amount within our Limit of Insurance. We do not have to furnish these bonds;
4. all reasonable expenses incurred by the insured at our request to assist us in the investigation or defense of the claim or **suit**, including actual loss of earnings, up to \$100 a day because of time off from work;
5. all costs taxed against the insured in the **suit**;
6. prejudgment interest awarded against the insured on that part of the judgment we pay. If we make an offer to pay the Limit of Insurance, we will not pay any prejudgment interest based on that period of time after the offer;
7. all interest on the full amount of any judgment that accrues after entry of the judgment and before we have paid, offered to pay, or deposited in court the part of the judgment that is within our Limit of Insurance.

**BUSINESS
LIABILITY
EXCLUSIONS**

Under Coverage L, this insurance does not apply:

1. to **bodily injury** or **property damage**:
 - a. expected or intended from the standpoint of the insured; or
 - b. to any person or property which is the result of willful and malicious acts of the insured.

This exclusion does not apply to **bodily injury** or **property damage** resulting from the use of reasonable force to protect persons or property;

2. to **bodily injury** or **property damage** for which the insured is obligated to pay damages by reason of the assumption of liability in a contract or agreement. This exclusion does not apply to liability for damages:
 - a. assumed in a contract or agreement that is an **insured contract** provided the **bodily injury** or **property damage** occurs after the execution of the contract or agreement; or
 - b. that the insured would have in the absence of a contract or agreement;
3. to **bodily injury** or **property damage** for which any insured may be held liable.
 - a. as a person or organization engaged in manufacturing, distributing, selling, serving or furnishing alcoholic beverages if such liability is imposed by reason of:
 - (1) any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages; or
 - (2) the furnishing of alcoholic beverages to a person under the legal drinking age or under the influence of alcohol or which causes or contributes to the intoxication of any person;
 - b. as an owner or lessor of premises used for manufacturing, distributing, selling, serving or furnishing alcoholic beverages if such liability is imposed by reason of any statute, ordinance or regulation relating to the sale, gift, distribution or use of alcoholic beverages.

This entire exclusion does not apply to the liability imposed on any insured as the result of the giving or serving of alcoholic beverages at functions incidental to your business, provided you are not: (a) in the business of manufacturing, distributing or selling alcoholic beverages; (b) serving or furnishing alcoholic beverages for a charge whether or not such activity requires a license or is for the purpose of financial gain or livelihood; (c) serving or furnishing alcoholic beverages without a charge if a license is required for such activity; or (d) intentionally violating any statute, ordinance or regulation;

4. to any obligation of the insured under any workers compensation, disability benefits or unemployment compensation law, or any similar law;

**SECTION II
COMPREHENSIVE
BUSINESS LIABILITY (cont.)**

- d. personal property in the care, custody or control of any insured;
- e. that particular part of real property on which you or any contractor or subcontractor working directly or indirectly on your behalf is performing operations, if the **property damage** arises out of those operations; or
- f. that particular part of any property that must be restored, repaired or replaced because **your work** was incorrectly performed on it. This part of this exclusion does not apply to **property damage** included in the **products-completed operations hazard**.

Parts c., d., e. and f. of this exclusion do not apply to liability assumed under a sidetrack agreement;

12. to **property damage to your product** arising out of it or any part of it;

13. to **property damage to your work** arising out of it or any part of it and included in the **products-completed operations hazard**.

This exclusion does not apply if the damaged work or the work out of which the damage arises was performed on your behalf by a subcontractor;

14. to **property damage to impaired property**, or property that has not been physically injured, arising out of:

- a. a defect, deficiency, inadequacy or dangerous condition in **your product** or **your work**; or
- b. a delay or failure by you or anyone acting on your behalf to perform a contract or agreement in accordance with its terms.

This exclusion does not apply to the loss of use of other property arising out of sudden and accidental physical injury to **your product** or **your work** after it has been put to its intended use;

15. to damages claimed for any loss, cost or expense incurred by you or others for the loss of use, with-

drawal, recall, inspection, repair, replacement, adjustment, removal or disposal of:

- a. **your product**;
- b. **your work**; or
- c. **impaired property**;

if such product, work or property is withdrawn or recalled from the market or from use by any person or organization because of a known or suspected defect, deficiency, inadequacy, or dangerous condition in it;

16. to **personal injury** or **advertising injury**:

- a. arising out of oral or written publication of material if done by or at the direction of the insured with knowledge of its falsity;
- b. arising out of oral or written publication of material whose first publication took place before the beginning of the policy period;
- c. arising out of the willful violation of a penal statute or ordinance committed by or with the consent of the insured; or
- d. for which the insured has assumed liability in a contract or agreement. This part of this exclusion does not apply to liability for damages that the insured would have in the absence of a contract or agreement;

17. to **advertising injury** arising out of:

- a. breach of contract other than misappropriation of advertising ideas under an implied contract;
- b. the failure of goods, products or services to conform with advertised quality or performance;
- c. the wrong description of the price of goods, products or services; or
- d. an offense committed by an insured whose business is advertising, broadcasting, publishing or telecasting.

SECTION II OPTIONAL COVERAGE

OPTIONAL COVERAGE

The following Optional Coverage is subject to all the terms and conditions applicable to Section II of this policy, except as otherwise provided for herein.

This Optional Coverage applies only as indicated in the Declarations.

OPTION DO - Directors and Officers Liability

1. We will pay those sums that the insured becomes legally obligated to pay as damages because of "**wrongful acts**" committed by an insured solely in the conduct of their management responsibilities for the Condominium/Association.
2. This optional coverage does not apply to:
 - a. any dishonest, fraudulent, criminal or malicious act, including fines and penalties resulting from these acts;
 - b. any **bodily injury, property damage, personal injury or advertising injury** liability;
 - c. profits or losses, including an accounting of these profits or losses, resulting from the purchase or sale of any securities;
 - d. salaries, compensation or bonuses of employees, directors or officers;
 - e. any failure to effect, maintain or procure any insurance policy or bond, including any failure to obtain proper amounts, forms, conditions or provisions on any insurance policy or bond;
 - f. damages arising out of any transaction of the insured from which the insured will gain any personal profit or advantage which is not shared equitably by the Condominium/Association members;
 - g. violation of any federal or state civil rights law or local ordinance, including but not limited to discrimination on account of race, religion, sex or age; or
 - h. damages other than money damages.
3. When used in the provisions of this Option DO, the unqualified word insured means only the following:
 - a. any of your directors or officers, collectively and individually, which form your administrative body provided that each individual:
 - (1) is duly elected by the unit-owners to serve on the managing body of the Condominium/Association; and
 - (2) acts within the scope of their duties on your behalf;
 - b. any of your members, but only with respect to their liability for your activities or activities they perform on your behalf as a member of a committee appointed by the administrative or managing body of the Condominium/Association;
 - c. the Named Insured shown in the Declarations with respect to liability because of "**wrongful acts**" committed by an insured.
4. The most we will pay for damages because of "**wrongful acts**" as a result of any one "**occurrence**" is the Coverage L - Business Liability limit shown in the Declarations. This Coverage L limit is also the most we will pay for the sum of all damages because of "**wrongful acts**" arising from all "**occurrences**" during the policy period.
5. When used in the provisions of this Option DO:
 - a. "**wrongful acts**" means any negligent acts, errors, omissions or breach of duty directly related to the operations of the Condominium/Association;
 - b. "**occurrence**" means a "**wrongful act**", including any conduct related to any of these, during the policy period, which results in a claim made in writing or **suit** filed no later than one year from the end of the policy period.
6. All loss or damage involving a single "**wrongful act**", or series of related "**wrongful acts**", caused by one or more persons is considered one "**occurrence**".
7. This Option DO applies to "**wrongful acts**" committed before this optional coverage became effective if the insured had no knowledge of a claim or **suit** at the effective date of this option and there is no other applicable insurance.

SECTION II
OPTIONAL
COVERAGE (cont.)

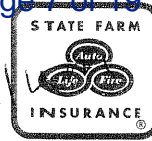
8. Our Coverage L limit will not be increased because of:
- a. the number of persons insured under this Option DO;
 - b. the number of persons or organizations who have sustained injury or damage; or
 - c. the number of claims made or causes of actions or **suits** brought because of injury or damage.

SECTION II
BUSINESS LIABILITY AND MEDICAL PAYMENTS
NUCLEAR LIABILITY EXCLUSIONS

NUCLEAR
LIABILITY
EXCLUSIONS

1. This insurance does not apply:
- a. under Coverage L - Business Liability to **bodily injury** or "**property damage**":
 - (1) with respect to which an insured under the policy is also an insured under a nuclear energy liability policy issued by Nuclear Energy Liability Insurance Association, Mutual Atomic Energy Liability Underwriters or Nuclear Insurance Association of Canada, or would be an insured under any such policy but for its termination upon exhaustion of its limit of liability; or
 - (2) resulting from the "**hazardous properties**" of "**nuclear material**" and with respect to which:
 - (a) any person or organization is required to maintain financial protection pursuant to the Atomic Energy Act of 1954, or any law amendatory thereof; or
 - (b) the insured is or, had this policy not been issued, would be entitled to indemnity from the United States of America, or any agency thereof, under any agreement entered into by the United States of America, or any agency thereof, with any person or organization;
 - b. under Coverage M - Medical Payments, to expenses incurred with respect to **bodily injury** resulting from the "**hazardous properties**" of "**nuclear material**" and arising out of the operation of a "**nuclear facility**" by any person or organization;
 - c. under Coverage L - Business Liability, to **bodily injury** or "**property damage**" resulting from the "**hazardous properties**" of "**nuclear material**" if:
 - (1) the "**nuclear material**":
 - (a) is at any "**nuclear facility**" owned by, or operated by or on behalf of, an insured; or
 - (b) has been discharged or dispersed therefrom;
 - (2) the "**nuclear material**" is contained in "**spent fuel**" or "**waste**" at any time possessed, handled, used, processed, stored, transported or disposed of by or on behalf of an insured; or
 - (3) the **bodily injury** or "**property damage**" arises out of the furnishing by an insured of services, materials, parts or equipment in connection with the planning, construction, maintenance, operation or use of any "**nuclear facility**". If such facility is located within the United States of America, its territories or possessions or Canada, this exclusion applies only to "**property damage**" to such "**nuclear facility**" and any property thereat.
2. As used in this exclusion:
- a. "**byproduct material**" has the meaning given it in the Atomic Energy Act of 1954 or in any law amendatory thereof;
 - b. "**hazardous properties**" include radioactive, toxic or explosive properties;
 - c. "**nuclear facility**" means:
 - (1) any "**nuclear reactor**";

State Farm Insurance Companies®



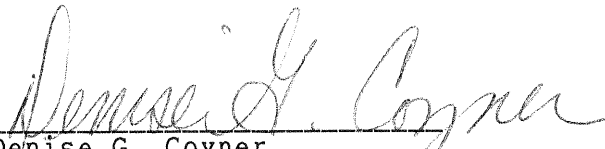
*SUS
Brooks-McCoy*

September 20, 2005

Frederick Operations Center
One State Farm Drive
Frederick, Maryland 21709-1000

CERTIFICATE

I, the undersigned, do hereby certify that I am custodian of the records pertaining to the issuance of policies issued by the Frederick Operations Center of State Farm Fire and Casualty Company of Frederick, Md. Based on our available records, I further certify that the attached COVERAGE SUMMARY dated September 20, 2005 represents a true copy of the policy provisions and coverage as of January 30, 2004 for 98-BN-4393-8 Emerald Ridge Service Corp.


Denise G. Coyner
UNDERWRITING SECTION MANAGER
State Farm Fire and Casualty Company



STATE FARM FIRE AND CASUALTY COMPANY
ONE STATE FARM DRIVE, FREDERICK MD 21709-1000
A STOCK COMPANY WITH HOME OFFICES IN BLOOMINGTON, ILLINOIS

Named Insured and Mailing Address
6016/F651

EMERALD RIDGE SERVICE CORP
PO BOX 281
BEAR DE 19701-0281

CONDO/ASSOC POLICY - SPECIAL FORM 3

Inflation Coverage Index: 157.1

AUTOMATIC RENEWAL - If the **POLICY PERIOD** is shown as **12 MONTHS** this policy will be renewed automatically subject to the premiums, rules and forms in effect for each succeeding policy period. If this policy is terminated, we will give you and the Mortgagee/Lienholder written notice in compliance with the policy provisions or as required by law.

The policy period begins and ends at 12:01 AM standard time at the premises location.

Policy Period: 12 MONTHS
Effective Date: JUNE 19 2003
Expiration Date: JUNE 19 2004

Named Insured: HOMEOWNERS ASSOCIATION

Location of Covered Premises:

EMERALD RIDGE DR &
WINCHESTER CT &
BRIGHTON WAY
BEAR DE 19701-2233

Coverages & Property

Limits of Insurance

Section I

A Buildings \$ 1,200
B Business Personal Property \$ EXCLUDED

Section II

L Business Liability \$ 1,000,000
M Medical Payments \$ 5,000
Products-Completed Operations
(PCO) Aggregate \$ 2,000,000
General Aggregate (Other
Than PCO) \$ 2,000,000

Deductibles - Section I

\$ 500 BASIC

POLICY PREMIUM \$ 1,289.00

Forms, Options, and Endorsements

SPECIAL FORM 3
DIRECTORS & OFFICERS
AMENDATORY ENDORSEMENT
GLASS DEDUCTIBLE DELETION
TREE DEBRIS REMOVAL
POLICY ENDORSEMENT
POLICY ENDORSEMENT
FUNGUS EXCLUSION
TERRORISM NOTE

FP-6109
OPTION DO
FE-6208.1
FE-6538.1
FE-6451
FE-6466
FE-6567
FE-6566
FE-6999

OTHER LIMITS AND EXCLUSIONS MAY APPLY - REFER TO YOUR POLICY

Prepared SEP 20 2005
FP-8010.3C
(06/1992)

TW

Countersigned _____

By _____ Agent

**Your policy consists of this page, any endorsements
and the policy form. PLEASE KEEP THESE TOGETHER.**

PARSONS, ROBERT C
302-235-7777

State Farm Insurance Companies®



September 20, 2005

Frederick Operations Center
One State Farm Drive
Frederick, Maryland 21709-1000

CERTIFICATE

I, the undersigned, do hereby certify that I am custodian of the records pertaining to the issuance of policies issued by the Frederick Operations Center of State Farm Fire and Casualty Company of Frederick, Md. Based on our available records, I further certify that the attached **COVERAGE SUMMARY** dated September 20, 2005 represents a true copy of the policy provisions and coverage as of January 30, 2004 for 98-BN-4393-8 Emerald Ridge Service Corp.

Denise G. Coyner
UNDERWRITING SECTION MANAGER
State Farm Fire and Casualty Company

**AMENDATORY ENDORSEMENT
(Delaware)****SECTION I
AND SECTION II
COMMON CONDITIONS**

The **Cancellation** Condition is replaced by the following:

Cancellation and Non-Renewal.

1. The first Named Insured shown in the Declarations may cancel this policy by mailing or delivering to us advance written notice of cancellation.
2. If this policy has been in effect for less than 60 days and is not a renewal with us, we may cancel by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - a. 10 days before the effective date of cancellation if we cancel for non-payment of premium; or
 - b. 30 days before the effective date of cancellation if we cancel for any other reason.
3. If this policy has been in effect for 60 days or more or if it is a renewal with us:
 - a. we may cancel by mailing or delivering to the first Named Insured written notice of cancellation at least:
 - (1) 10 days before the effective date of cancellation if we cancel for non-payment of premium; or
 - (2) 60 but not more than 120 days before the effective date of cancellation if we cancel for any other allowable reason;
 - b. we may cancel only for the following reasons:
 - (1) non-payment of premium;
- (2) material misrepresentation or nondisclosure to us of a material fact at the time of acceptance of the risk;
- (3) increased hazard or material change in the risk assumed which could not have been reasonably contemplated by the parties at the time of assumption of the risk;
- (4) substantial breaches of contractual duties, conditions or warranties that materially affect the nature and/or insurability of the risk;
- (5) fraudulent acts against us by you or your representatives that materially affect the nature of the risk insured;
- (6) lack of cooperation from you on loss control matters affecting insurability of the risk;
- (7) bona fide loss of or substantial changes in applicable reinsurance;
- (8) material increase in exposure arising out of changes in statutory or case law subsequent to the issuance of the insurance contract; or
- (9) bona fide loss of or reduction in available insurance capacity.
4. If we decide to non-renew this policy, we will mail or deliver to the first Named Insured written notice of non-renewal at least 60 but not more than 120 days before the expiration date of this policy.
5. We will mail or deliver our notice of cancellation or non-renewal to the first Named Insured at their last mailing address known to us and to any other

person entitled to notice under this policy. If notice is mailed, it will be by:

- a. certified mail; or
- b. first class mail, if at the time of mailing we have obtained from the Post Office Department a date stamped proof of mailing showing the name and address of the first Named Insured.

Proof of such mailing will be sufficient proof of notice.

Our notice of cancellation will state the effective date of cancellation. The policy period will end on that date.

- 6. Our notice of cancellation or non-renewal is not required if the first Named Insured:
 - a. has replaced coverage elsewhere; or

- b. has otherwise specifically requested termination.

- 7. We will provide the first Named Insured with a written statement setting forth the reasons for cancellation or non-renewal where the first Named Insured agrees in writing to hold us harmless from liability for any:
 - a. communication giving notice of or specifying a reason for cancellation; or
 - b. for any statement made in connection with an attempt to discover or verify the existence of conditions which would be reason for a cancellation under Regulation 54.
- 8. If this policy is cancelled, we will send the first Named Insured any premium refund due. If we cancel, the refund will be pro rata. If the first Named Insured cancels, the refund may be less than pro rata. Cancellation will be effective even if we have not made or offered a refund.

GLASS DEDUCTIBLE DELETION ENDORSEMENT

Under **SECTION I DEDUCTIBLES**, the special \$100 deductible amount applicable to all glass losses is deleted and replaced by the Section I deductible otherwise included and shown in the Declarations of this policy.

All other policy provisions apply.

FE-6538.1
(10/95)

TREE DEBRIS REMOVAL ENDORSEMENT

The following is added to **SECTION I EXTENSIONS OF COVERAGE**:

Tree Debris Removal. We will pay your expense to remove the debris of any broken or fallen tree if Coverage A property is damaged by the tree. The most we will pay in any one occurrence at each location under this Extension of Coverage is \$500 as an additional amount of insurance.

All other policy provisions apply.

**POLICY ENDORSEMENT
(Condominium/Association)**

**SECTION I
PROPERTY
COVERAGES**

In all policies, under **COVERAGE A - BUILDINGS**, item 5. is replaced by the following:

5. any of the following types of property contained within a unit, regardless of ownership:
 - a. fixtures, improvements and alterations that are a part of the building or structure; and
 - b. appliances, such as those used for refrigerating, ventilating, cooking, dishwashing, laundering, security or housekeeping;

In all policies, under **PROPERTY NOT COVERED**, item 11. is replaced by the following:

11. trees, plants, lawns and shrubs other than those you own as merchandise held in storage or for sale, except as provided in the Extensions of Coverage;

In SPECIAL FORM 3 policies only, under **PROPERTY SUBJECT TO LIMITATIONS**, item 10. is deleted and item 3.d. is replaced by the following:

- d. \$250 for stamps, tickets and letters of credit, except as provided in the Money and Securities Optional Coverage;

**SECTION I
LOSSES INSURED AND
LOSSES NOT INSURED**

In SPECIAL FORM 3 policies only, under **LOSSES NOT INSURED**, the following is added to item 1.d.:

- (4) water that backs up from a sewer or drain or enters into and overflows from within a sump pump, sump pump well or

any other system designed to remove subsurface water drained from the foundation area, except as provided in the Back-up of Sewer or Drain Extension of Coverage.

**SECTION I
EXTENSIONS OF
COVERAGE**

In SPECIAL FORM 3 policies only, under **EXTENSIONS OF COVERAGE**, item 24. is replaced by the following:

24. **Back-up of Sewer or Drain.** We will pay for any accidental direct physical loss caused by water that backs up from a sewer or drain or enters into and overflows from within a sump pump, sump pump well or any other system designed to remove subsurface water drained from the foundation area.

This coverage does not apply if the loss is caused by your negligence.

**SECTION I
OPTIONAL
COVERAGES**

In all policies, the following is added to **OPTION ED - Employee Dishonesty**:

10. When used in the provisions of this Option ED, "employee" means any natural person who receives compensation for working in your regular service in the ordinary course of your business as well as your directors and officers whether compensated or not, except while performing outside the scope of the normal duties of such directors and officers. But this does not include any broker, consignee, contractor or other agent or representative of the same general character.

In all policies, the following is added to **OPTION MO - Money and Securities**:

6. When used in the provisions of this Option MO:

a. "money" means:

- (1) currency, coins and bank notes in current use and having a face value;
- (2) travelers checks, register checks and money orders held for sale to the public;

b. "securities" means negotiable and nonnegotiable instruments or con-

tracts representing either "money" or other property and includes:

- (1) tokens, tickets, revenue and other stamps in current use represented by either actual stamps or unused value in a meter;
- (2) evidences of debt issued in connection with credit or charge cards which are not issued by you;

but does not include "money".

All other policy provisions apply.

**POLICY ENDORSEMENT
(Condominium/Association)**

**SECTION I
CONDITIONS**

In all policies, under **CONDITIONS**, item 10. **Unit-Owner Mortgagee** is deleted.

All other policy provisions apply.

FE-6567
(3/99)

FUNGUS (INCLUDING MOLD) EXCLUSION ENDORSEMENT**SECTION I
LOSSES INSURED AND
LOSSES NOT INSURED**

In SPECIAL FORM 3 and BUILDERS' RISK policies only, under **LOSSES NOT INSURED**, items 2.d. and 2.k. are replaced by the following:

- d. smog, wear, tear, rust, corrosion, decay, deterioration, hidden or latent defect or any quality in property that causes it to damage or destroy itself.

But if accidental direct physical loss by any of the "Specified Causes of Loss" or by building glass breakage results, we will pay for that resulting loss;

- k. repeated discharge or continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of time;

In all policies, the following is added to item 1. under **LOSSES NOT INSURED**:

- i. growth, proliferation, spread or presence of "fungus", including:
 - (1) any loss of use or delay in rebuilding, repairing or replacing covered property, including any associated cost or expense, due to interference at the described premises or location of the rebuilding, repair or replacement of that property, by "fungus";
 - (2) any remediation of "fungus", including the cost or expense to:
 - (a) remove the "fungus" from covered property or to repair, restore or replace that property;
 - (b) tear out and replace any part of the building or other property as needed to gain access to the "fungus"; or
 - (c) contain, treat, detoxify, neutralize or dispose of or in any way respond to or assess the effects of the "fungus";

- (3) the cost of any testing or monitoring of air or property to confirm the type, absence, presence or level of "fungus", whether performed prior to, during or after removal, repair, restoration or replacement of covered property.

"Fungus" means any type or form of fungi, including mold or mildew, and any mycotoxins, spores, scents or byproducts produced or released by fungi.

In BASIC FORM 1 policies only, the following is added to item 2. under **LOSSES NOT INSURED**:

- g. repeated discharge or continuous or repeated seepage or leakage of water, or the presence or condensation of humidity, moisture or vapor, that occurs over a period of time;

**SECTION II
COMPREHENSIVE
BUSINESS LIABILITY**

In all policies, the following exclusion is added under **BUSINESS LIABILITY EXCLUSIONS**:

to any:

- a. **bodily injury, property damage, personal injury or advertising injury** arising out of the actual, alleged or threatened inhalation of, ingestion of, contact with, exposure to, existence of, or presence of any **fungus**;
 - (1) at or from any premises, site or location which is or was at any time owned or occupied by, or rented or loaned to, any insured; or
 - (2) at or from any premises, site or location on which any insured or any contractor or subcontractor working directly or indirectly on behalf of any insured is or was at any time performing operations;
- b. loss, cost or expense arising out of any:
 - (1) request, demand or order that any insured or others test for, monitor, clean up, remove, contain, treat, detoxify, neutralize, remediate or

dispose of or in any way respond to or assess the effects of **fungus**; or

- (2) claim or **suit** for damages because of testing for, monitoring, cleaning up, removing, containing, treating, detoxifying, neutralizing, remediating or disposing of, or in any way responding to or assessing the effects of **fungus**.

SECTION II DEFINITIONS

In all policies, the following definition is added under **DEFINITIONS**:

fungus means any type or form of fungi, including mold or mildew, and any mycotoxins, spores, scents or byproducts produced or released by fungi.

All other policy provisions apply.

In accordance with the Terrorism Risk Insurance Act of 2002, this disclosure is part of your policy.

Policyholder Disclosure Notice of Terrorism Insurance Coverage

Coverage for acts of terrorism is already included in your current policy. You should know that, effective November 26, 2002, under your existing coverage any losses caused by certified acts of terrorism would be partially reimbursed by the United States under a formula established by federal law. Under this formula, the United States pays 90% of covered terrorism losses exceeding the statutorily established deductible paid by the insurance company providing the coverage.

This policy does not exclude coverage for "insured losses" that result from acts of terrorism, as defined in the new law. There is no separate premium charged to cover insured losses caused by terrorism. Your insurance policy establishes the coverage that exists for insured losses. This notice does not expand coverage beyond that described in your policy.

Please contact your agent if you have questions about the new law.